

**The Foundation of the City
College of San Francisco**

Financial Statements

June 30, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Foundation of the City College of San Francisco
San Francisco, California

We have audited the accompanying financial statements of The Foundation of the City College of San Francisco (a California nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (the "U.S."); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation of the City College of San Francisco as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the U.S.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

October 20, 2016

The Foundation of the City College of San Francisco
 Statements of Financial Position
 June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 567,740	\$ 2,287,636
Promises to give, net	465,435	580,354
Prepaid expenses and other assets	15,227	14,237
Investments	16,766,090	14,784,301
Property and equipment, net	1,435	73
Total assets	\$ 17,815,927	\$ 17,666,601
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,375	\$ 18,344
Grant payable	-	350,000
Total liabilities	6,375	368,344
Net assets		
Unrestricted	308,678	218,497
Temporarily restricted	12,325,139	11,932,059
Permanently restricted	5,175,735	5,147,701
Total net assets	17,809,552	17,298,257
Total liabilities and net assets	\$ 17,815,927	\$ 17,666,601

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 108,917	\$ 1,964,462	\$ -	\$ 2,073,379
Investment income, net	(1,495)	252,205	-	250,710
Fiscal agent fees	104,131	-	-	104,131
Other income	1,634	-	-	1,634
Redesignation of funds	-	(28,034)	28,034	-
Net assets released from restrictions	<u>1,795,553</u>	<u>(1,795,553)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,008,740</u>	<u>393,080</u>	<u>28,034</u>	<u>2,429,854</u>
Functional expenses				
Program services	<u>1,733,569</u>	<u>-</u>	<u>-</u>	<u>1,733,569</u>
Support services				
Management and general	111,163	-	-	111,163
Fundraising	<u>73,827</u>	<u>-</u>	<u>-</u>	<u>73,827</u>
Total support services	<u>184,990</u>	<u>-</u>	<u>-</u>	<u>184,990</u>
Total functional expenses	<u>1,918,559</u>	<u>-</u>	<u>-</u>	<u>1,918,559</u>
Change in net assets	90,181	393,080	28,034	511,295
Net assets, beginning of year	<u>218,497</u>	<u>11,932,059</u>	<u>5,147,701</u>	<u>17,298,257</u>
Net assets, end of year	<u>\$ 308,678</u>	<u>\$ 12,325,139</u>	<u>\$ 5,175,735</u>	<u>\$ 17,809,552</u>

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 110,642	\$ 992,454	\$ -	\$ 1,103,096
Investment income, net	158	218,189	-	218,347
Fiscal agent fees	102,383	-	-	102,383
Other income	18,976	-	-	18,976
Net assets released from restrictions	<u>1,514,307</u>	<u>(1,514,307)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,746,466</u>	<u>(303,664)</u>	<u>-</u>	<u>1,442,802</u>
Functional expenses				
Program services	<u>1,435,030</u>	<u>-</u>	<u>-</u>	<u>1,435,030</u>
Support services				
Management and general	128,343	-	-	128,343
Fundraising	<u>90,445</u>	<u>-</u>	<u>-</u>	<u>90,445</u>
Total support services	<u>218,788</u>	<u>-</u>	<u>-</u>	<u>218,788</u>
Total functional expenses	<u>1,653,818</u>	<u>-</u>	<u>-</u>	<u>1,653,818</u>
Change in net assets	92,648	(303,664)	-	(211,016)
Net assets, beginning of year	<u>125,849</u>	<u>12,235,723</u>	<u>5,147,701</u>	<u>17,509,273</u>
Net assets, end of year	<u>\$ 218,497</u>	<u>\$ 11,932,059</u>	<u>\$ 5,147,701</u>	<u>\$ 17,298,257</u>

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants to City College of San Francisco	\$ 1,733,569	\$ -	\$ -	\$ 1,733,569
Special events	-	-	66,716	66,716
Professional fees	-	72,247	-	72,247
Depreciation	-	313	-	313
Insurance	-	3,529	-	3,529
Legal fees	-	175	-	175
Miscellaneous	-	12,805	7,111	19,916
Other consulting fees	-	16,502	-	16,502
Software license fee	-	5,460	-	5,460
Travel and conferences	-	132	-	132
	<u>\$ 1,733,569</u>	<u>\$ 111,163</u>	<u>\$ 73,827</u>	<u>\$ 1,918,559</u>

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
Statement of Functional Expenses
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants to City College of San Francisco	\$ 1,434,992	\$ -	\$ -	\$ 1,434,992
Special events	-	-	83,664	83,664
Professional fees	-	85,789	-	85,789
Depreciation	38	102	73	213
Insurance	-	3,618	-	3,618
Legal fees	-	2,690	-	2,690
Miscellaneous	-	11,253	6,708	17,961
Other consulting fees	-	18,519	-	18,519
Software license fee	-	5,460	-	5,460
Travel and conferences	-	912	-	912
	<u>\$ 1,435,030</u>	<u>\$ 128,343</u>	<u>\$ 90,445</u>	<u>\$ 1,653,818</u>

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
 Statements of Cash Flows
 For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 511,295	\$ (211,016)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	313	213
Realized and unrealized losses on investments, net	15,559	118,780
Proceeds from immediate sale of donated stock	3,069	5,302
Donated stock	(125,967)	(5,043)
Changes in operating assets and liabilities		
Promises to give	114,919	64,418
Prepaid expenses and other assets	(990)	(367)
Accounts payable	(11,969)	8,092
Grant payable	(350,000)	-
Net cash provided by (used in) operating activities	<u>156,229</u>	<u>(19,621)</u>
Cash flows from investing activities		
Proceeds from sale of marketable securities	14,661,447	-
Purchase of marketable securities	(16,535,897)	(438,649)
Purchase of property and equipment	(1,675)	-
Net cash used in investing activities	<u>(1,876,125)</u>	<u>(438,649)</u>
Net decrease in cash and cash equivalents	(1,719,896)	(458,270)
Cash and cash equivalents, beginning of year	<u>2,287,636</u>	<u>2,745,906</u>
Cash and cash equivalents, end of year	<u>\$ 567,740</u>	<u>\$ 2,287,636</u>

The accompanying notes are an integral part of these financial statements.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

1. ORGANIZATION

The Foundation of the City College of San Francisco (the "Foundation") is a nonprofit organization founded in 1969 for the purpose of providing support to the San Francisco Community College District (the "District") programs and services. The programs of the Foundation provide administration for scholarships and internships for students, educational equipment for classrooms, new educational programs, and capital improvements throughout the District.

In July 2014, the Accrediting Commission for Community and Junior Colleges ("ACCJC") announced its preliminary decision to terminate City College of San Francisco's accreditation. However in January 2015, ACCJC granted Restoration Status to City College of San Francisco (the "College") as a result of a Fall 2014 Evaluation Team Visit. Under Restoration Status, the College has two years to demonstrate it fully meets all Eligibility Requirements, Accreditation Standards, and Commission Policies. The College expects to receive ACCJC's determination regarding reaffirmation of the College's accreditation in early February 2017. In the meantime, the College remains accredited, and students currently enrolled at City College still earn credit toward degrees, certificates and transfer, and there is no change to financial aid eligibility or availability. The Foundation has continued providing support for the District's programs and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements are presented on the accrual basis of accounting.

Net assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets:

- *Unrestricted net assets* - Net assets not subject to donor-imposed restrictions.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed restrictions that may or will be met by actions of the Foundation and/or passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions are recognized at fair value when the donor/grantor makes an unconditional promise to give to the Foundation. Contributions that are restricted by the donor/grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents

The Foundation considers all unrestricted highly liquid investments with original maturity of three months or less to be cash equivalents.

Promises to give

Unconditional pledges and contributions receivable are reported at fair value and recorded in the period pledged or received. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the contributions are expected to be collected.

Receivables are reviewed by management for collectability and an allowance for doubtful accounts is established when needed. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts is recorded at June 30, 2016 and 2015.

Fixed assets

Fixed assets in excess of \$1,000 and with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair market value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between five and ten years. Repairs and maintenance are charged to expense as incurred. Property and equipment at June 30, 2016 and 2015 consisted of computer equipment. Depreciation expense amounted to \$313 and \$213 for the years ended June 30, 2016 and 2015, respectively.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind services

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities and foreign equity assets at their fair values in the statement of financial position. Marketable securities that are held principally for the purpose of selling them in the near term are classified as trading securities and are carried at fair value, with unrealized gains or losses credited or charged to current earnings. Management determines the appropriate classification of its investments at the time of purchase and reevaluates such determination at each statement of financial position date.

Fair value measurements

The Foundation is required to disclose estimated fair values of its financial instruments. The fair value estimates presented herein are based on relevant information available to management as of June 30, 2016 and 2015. Because the reporting requirements exclude certain financial instruments and all non-financial instruments the aggregate fair value amounts presented herein do not represent management's estimate of the underlying value of the Foundation.

The Foundation's financial instruments consist principally of cash and cash equivalents, accrued receivables, investments, prepaid expenses and other assets, accounts payable, accrued liabilities and grant payable. The Foundation believes all of the financial instruments' recorded values approximate fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). The Foundation uses a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are defined as follows:

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Foundation's Level 1 assets and liabilities include exchange traded equities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- *Level 2* - Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs.
- *Level 3* - Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

Functional allocation of expenses

Expenses are charged to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income tax status

The Foundation is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. The Foundation is also exempt from California income tax under Section 23701d of Revenue and Taxation Code.

The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

The Foundation has evaluated its current tax positions and concluded that as of June 30, 2016 and 2015, the Foundation does not have any uncertain tax positions for which a reserve would be necessary.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include the estimated value of promises to give, functional allocation of expense, temporarily restricted net assets and fair market value of investments. Accordingly, actual results could differ from those estimates.

Subsequent events

The Foundation has evaluated subsequent events through October 20, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

3. INVESTMENTS

Investments consist of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 14,071,688	\$ 14,726,184	\$ 12,736,577	\$ 13,419,093
Foreign equity assets	2,069,725	2,021,826	1,411,223	1,365,208
Privately-held securities	-	18,080	-	-
	<u>\$ 16,141,413</u>	<u>\$ 16,766,090</u>	<u>\$ 14,147,800</u>	<u>\$ 14,784,301</u>

Investment earnings (losses) consist of the following:

	2016	2015
Unrestricted		
Net realized and unrealized gains (losses)	\$ (1,495)	\$ 158
	(1,495)	158
Temporarily restricted		
Interest and dividend income	283,754	336,969
Net realized and unrealized gains (losses)	(15,559)	(118,780)
Management fees	(15,990)	-
	<u>252,205</u>	<u>218,189</u>
	<u>\$ 250,710</u>	<u>\$ 218,347</u>

Net realized gains for the years ended June 30, 2016 and 2015 amounted to \$14,103 and \$257, respectively.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$14,726,184	\$ -	\$ -	\$14,726,184
Foreign equity assets	2,021,826	-	-	2,021,826
Privately-held securities	<u>-</u>	<u>18,080</u>	<u>-</u>	<u>18,080</u>
	<u>\$16,748,010</u>	<u>\$ 18,080</u>	<u>\$ -</u>	<u>\$16,766,090</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$13,419,093	\$ -	\$ -	\$13,419,093
Foreign equity assets	<u>1,365,208</u>	<u>-</u>	<u>-</u>	<u>1,365,208</u>
	<u>\$14,784,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,784,301</u>

5. PROMISES TO GIVE

Promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Amounts due in less than one year	\$ 192,900	\$ 198,452
Amounts due in one to five years	285,771	405,771
Less discounts to net present value	<u>(13,236)</u>	<u>(23,869)</u>
	<u>\$ 465,435</u>	<u>\$ 580,354</u>

Long-term promises to give are discounted using an interest rate of 3% based on the risks involved and the expected time of receipt.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

6. CONCENTRATIONS

The Foundation has identified its financial instruments which are potentially subject to market risk. These financial instruments consist principally of cash, investments and receivables. The Foundation invests its excess cash in cash deposits with various financial institutions which may be over the federally insured limit. Investments are diversified in order to limit market risk exposure. Receivable represents unsecured amounts due from various individuals. Concentration of credit risk is limited due to the large number of accounts comprising the balance.

7. REDESIGNATION OF FUNDS

The Foundation redesignated interest income of \$28,034 to permanently restricted net assets from temporarily restricted net assets under the terms of the donor's gift agreement which required that the funds be spent for a specific purpose for the year ended June 30, 2016. Income not spent must be redesignated as permanently restricted net assets. There was no redesignation of interest income for the year ended June 30, 2015.

8. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Orfalea Family Children Center	\$ 4,562,434	\$ 4,848,862
Osher Foundation	2,791,863	2,991,048
Alice Woo	939,115	934,754
Yvonne Stoupe Memorial Scholarship	482,659	485,660
Library - Cleasby	430,625	430,713
New Chinatown Campus and Program	343,708	333,418
Koret Campus Security	209,000	-
City College of San Francisco Culinary Arts HOS	197,723	-
Koret Repurpose Grant	195,850	-
Basic Skill Lunch	195,559	200,113
Gilbert Boyd Scholarship Fund	173,397	184,621
Hass Trustee Training	145,630	80,817
Sidney & Margaret Ancker Scholarship	104,142	105,176
City Choice Initiative	100,000	100,000
Koret Scholars	99,750	-
Friends of the CCSF Library	85,179	93,477
Chenming Hu Multimedia V	54,162	54,173
Dan Allen Scholarship	53,594	51,976
Evelyn N. Kerkhof Scholarship	51,412	52,778
Other	<u>1,109,337</u>	<u>984,473</u>
	<u>\$ 12,325,139</u>	<u>\$ 11,932,059</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

8. TEMPORARY RESTRICTED NET ASSETS (continued)

Temporary restricted net assets released from restriction during the year were as follows:

	<u>2016</u>	<u>2015</u>
Osher Foundation	\$ 348,000	\$ 293,000
Orfalea Family Children Center	350,000	350,000
Education Access TV	324,514	126,824
Basic Skill Lunch	241,909	250,372
General Fundraisers	198,243	236,245
City College of San Francisco Team Football	61,134	33,420
Accreditation Support	27,000	53,807
Yvonne Stoupe Memorial Scholarship	10,000	50,000
Friend of the City College of San Francisco Library	-	42,234
Other	<u>234,753</u>	<u>78,405</u>
	<u>\$ 1,795,553</u>	<u>\$ 1,514,307</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for investment in perpetuity. The Foundation is permitted to use or expend part or all of the income (or other economic benefit) derived from the contribution.

Permanently restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Osher Foundation	\$ 3,600,000	\$ 3,600,000
Yvonne Stoupe Memorial Scholarship	1,100,056	1,072,022
Sidney & Margaret Ancker Scholarship	100,000	100,000
Evelyn N. Kerkhof Scholarship	50,000	50,000
Audrey Zimmerman Scholarship	25,000	25,000
Carl & Brigitta Beetz Scholarship	25,000	25,000
Robert Liu French Faculty Development Fund	20,201	20,201
Dan Allen Scholarship	20,000	20,000
CompuCredit Aspire A Mas Scholarship	20,000	20,000
Math Department Faculty Scholarship	19,010	19,010
Other	<u>196,468</u>	<u>196,468</u>
	<u>\$ 5,175,735</u>	<u>\$ 5,147,701</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

10. ENDOWMENT

The Foundation's endowment consists of forty-three funds, including donor-restricted funds established for a variety of purposes. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Board of Directors requires the Foundation to retain as a fund of perpetual duration. There were no funds with a net deficiency of this nature as of June 30, 2016 and 2015.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

10. ENDOWMENT (continued)

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the Endowment Fund and at the same time provide a regular and growing distribution of funds for the use of the Foundation, consistent with the terms of the Endowment Fund Distribution Policy and the terms governing each of the individual endowment funds. A balanced approach is to be taken between risk, preservation of capital, income and growth.

Strategies employed for achieving objectives

To satisfy its investment policy objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) on equity-based investments and current yield (interest and dividends) on fixed income investments. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year an amount of 4% of a twelve quarter moving average of the fund's market value to the extent that capital gains, dividends and interest are enough to cover that distribution. The Board of Directors may request all, a portion, or none of the appropriation be distributed in accordance with the endowment fund's purpose as defined by the endowment agreement or applicable board resolution. Any portion of the distribution not appropriated by the Board shall be kept in the endowment fund, be governed by the endowment investment policy, and be available for future distribution in accordance with the distribution policy.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

10. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Osher Foundation	\$ -	\$ 2,791,863	\$ 3,600,000	\$ 6,391,863
Yvonne Stoupe Memorial Scholarship	-	196,671	1,100,056	1,296,727
Sidney & Margaret Ancker Scholarship	-	83,074	100,000	183,074
Evelyn N. Kerkhof Scholarship	-	46,715	50,000	96,715
Audrey Zimmerman Scholarship	-	31,203	25,000	56,203
Dan Allen Scholarship	-	30,747	20,000	50,747
Carl & Brigitta Beetz Scholarship	-	24,959	25,000	49,959
Math Department Faculty Scholarship	-	25,194	19,010	44,204
Robert Liu French Faculty Development Fund	-	18,826	20,201	39,027
CompuCredit Aspire A Mas Scholarship	-	17,601	20,000	37,601
Other	-	214,806	196,468	411,274
	<u>\$ -</u>	<u>\$ 3,481,659</u>	<u>\$ 5,175,735</u>	<u>\$ 8,657,394</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
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10. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Osher Foundation	\$ -	\$ 2,991,048	\$ 3,600,000	\$ 6,591,048
Yvonne Stoupe Memorial Scholarship	-	196,178	1,072,022	1,268,200
Sidney & Margaret Ancker Scholarship	-	83,593	100,000	183,593
Evelyn N. Kerkhof Scholarship	-	46,863	50,000	96,863
Audrey Zimmerman Scholarship	-	31,315	25,000	56,315
Carl & Brigitta Beetz Scholarship	-	24,990	25,000	49,990
Dan Allen Scholarship	-	29,631	20,000	49,631
Math Department Faculty Scholarship	-	25,468	19,010	44,478
CompuCredit Aspire A Mas Scholarship	-	17,780	20,000	37,780
Robert Liu French Faculty Development Fund	-	17,968	20,201	38,169
Other	-	215,551	196,468	412,019
	<u>\$ -</u>	<u>\$ 3,680,385</u>	<u>\$ 5,147,701</u>	<u>\$ 8,828,086</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ -	\$ 3,680,385	\$ 5,147,701	\$ 8,828,086
Investment return				
Investment income	-	199,141	-	199,141
Total investment return	-	199,141	-	199,141
Donor's redesignation to permanent fund	-	(28,034)	28,034	-
Appropriation of net assets	-	(369,833)	-	(369,833)
	<u>-</u>	<u>(198,726)</u>	<u>28,034</u>	<u>(170,692)</u>
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 3,481,659</u>	<u>\$ 5,175,735</u>	<u>\$ 8,657,394</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2016 and 2015

10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, June 30, 2014	\$ -	\$ 3,801,434	\$ 5,147,701	\$ 8,949,135
Investment return				
Investment income	-	176,534	-	176,534
Total investment return	-	176,534	-	176,534
Appropriation of net assets	-	(297,583)	-	(297,583)
	-	(121,049)	-	(121,049)
Balance, June 30, 2015	<u>\$ -</u>	<u>\$ 3,680,385</u>	<u>\$ 5,147,701</u>	<u>\$ 8,828,086</u>

11. RELATED PARTY TRANSACTIONS

The Foundation disbursed total grants of \$1,733,569 and \$1,434,992 to the District in the years ended June 30, 2016 and 2015, respectively.

The Foundation received \$78,478 and \$106,543 in contributions from board members for the years ended June 30, 2016 and 2015, respectively.

12. COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Foundation may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the Foundation's financial position or results of future operations.